

**TOWN OF SALEM  
BOARD OF FINANCE  
REGULAR MEETING MINUTES  
WEDNESDAY, NOVEMBER 12, 2015 – 7:00 P.M.  
SALEM TOWN OFFICE BUILDING**

**PRESENT**

TJ Butcher, Chairman  
Janet Griggs  
George Householder  
David Kennedy  
Hernan Salas, Alternate (seated)

**ABSENT**

Carole Eckart  
Robert Sartori  
John Dolan, Alternate  
Jenifer Lee, Alternate

**ALSO PRESENT:**

First Selectman Kevin Lyden

**GUESTS**

none

**CALL TO ORDER:**

Chairman Butcher called the meeting to order at 7:00 p.m.

**SEAT ALTERNATE IF NEEDED:**

**M/S/C: Householder/Kennedy, to seat Alternate Board Member Salas for Full Board Member Eckart. Discussion: None. Voice vote, 4-0, all in favor.**

**RECOGNITION OF VISITORS: *none***

**COMMUNICATIONS:**

A letter from the Board of Education (BOE) requesting an extension of their Capital Plan Presentation from November 12 to December 10, 2015.

Board Member Householder received a communication from Superintendent Joseph Onofrio II stating that the BOE Salary Negotiations have not yet begun and will be keeping them informed.

Board Member Lee sent her regrets for her inability to attend this evening's meeting and thanked the Board for conducting important work for the Town.

Communication from Board Member Dolan (alternate) regarding his pending resignation.

**ADDITIONS TO THE AGENDA:**

The following additions to the agenda were proposed:

Item A: Auditor's Report

Item 6: Changes to the Board of Finance

Item 7: Salem Fire Training Building Sub-committee Report (Board Member Kennedy)

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**AGENDA:**

**A. AUDITOR'S REPORT** (*see file copy, Appendix 2*)

Marcia L. Marien, CPA, O'Connor Davies, LLP, reviewed the 2015/2015 financial highlights for the Town, as of June 30, 2015:

Short Term Income Statement and Balance Sheet – measures the Town's working capital and includes the General, Capital Non-Recurring, School Construction, and Other Governmental Funds. Regarding any surplus of funds, she recommended, first, determining whether those funds are Bond moneys or Town funds and, if they are Town funds, either setting it aside, paying off any debts, or placing it in the Capital Non-Recurring Fund. In response to First Selectman Lyden, Ms. Marien stated that utilizing the expected surplus from the School Construction Fund for the upcoming expenses of two new fire trucks and new roofing for the 1994 addition on the School and financing these items over an eight-year span would be acceptable, in view of the low interest rates and the fairness of spreading out the funds over those who will be utilizing and benefitting from those purchases.

Other or Non-Major Fund Income Statement includes the Town Grant (for specific items), Senior Citizens, Dog, School Cafeteria, Community Foundation Grant, Needy, Education Grant (for specific items), and Small Cities Grant Funds. Also included are the Land Acquisition and Open Space Funds for which she suggested considering including in the Capital Non-Recurring Fund to help simplify their bookkeeping.

Permanent Funds – Similar to endowments, the principal of these funds are not spendable, and is currently earning approximately 2-3% in interest. She suggested the possibility of having the Community Foundation of Eastern Connecticut (CFECT) hold these funds as a trustee. Two years ago, when she served on the Foundation's Board, those who opted to have the CFECT hold and invest their funds were earning 15% after the payment of fees.

Income Statement and Balance Sheet for General Funds – reflects that while the Town projected a deficiency of revenues over expenditures, the actual revenue reflects an excess of revenues over expenditures due primarily to tax collections (*see Draft Budget vs. Actual – Taxes*); interest income, i.e., premium(s) earned on bond(s), and; conservative expenditures by the General Government and the Board of Education. With regards to the Property Tax Revenues, First Selectman Lyden added that he has met with the Tax Collector, Assistant Tax Collector, and Foreclosure Attorney and stated that, since 2008, New London County has been in the process of coming out of a very difficult economic period and that, while there are several properties which have been sent to the Foreclosure Attorney, the Tax Collector has worked very hard with the property owners to avoid any foreclosures. Credit Card payments, which have been accepted for the past

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one to two years and constitutes approximately 2% of the amount collected, may have also helped the tax collection rate.

Revenues and Budget v. Actual for Grants— appears to be right on target. While the Local Capital Improvement (LoCIP) Grant appears to demand some attention, there were no expenses were made or received. Improvements in the real estate market are reflected in the revenues for Conveyance Tax and Building Permits.

The Capital (Long-Term) Asset Summary and Long-Term Liabilities were reviewed. They are expecting to receive a new accounting rule known as Gatsby 68, which will result in a small change in the teachers' pensions, by November 30. While the State will be paying for the pension on the Town's behalf, the rule will affect some of the footnotes in the Financial Statement. In preparation of a possible delay of the new rule, the firm will be requesting an extension.

Revenue vs. Bond-type Debt Over Time shows that, should the Town wish to pay off their debts, it would cost the Town approximately 30% of their budget — a very low amount in comparison to the statewide average of 66%. Likewise, the Revenue vs. Long Term Debt is also very low in comparison to the statewide average of 61% and Small Towns (population 10,000 and under) of 53%.

The Long-Term Balance Sheet shows that the Town has approximately \$26 million in total assets, approximately \$7 million in total liabilities, and approximately \$20 million in equity.

The Long-Term Income Statement includes the expenses and revenues for the Town's Governmental Activities (General Government, Public Safety, Public Works, Sanitation, Education, and Interest on Long-term Debt) and the amount that is being taken from the Town's taxes to pay for these Activities. The Statement shows that the health of the Town's Net Position has been growing healthier.

Ms. Marien concluded by reviewing the firm's responsibility under GAAS (Generally Accepted Auditing Standards), Communications of Other Matters, and provided the Town with an Audit Grade of A-. Possible ways the Town may raise their grade are: creating additional written policies, conducting risk assessments, and creating and publishing a Comprehensive Annual Financial Report (CAFR).

First Selectman Lyden stated, for the record, that last year's final grade of A- was downgraded from their original grade of A due to a complaint received by a former employee who felt that the grade was too high. Ms. Marien felt their records are improving and First Selectman Lyden and the Board commended and thanked and commended the Finance Team for their hard work and professionalism.

The Board thanked Ms. Marien for her presentation.

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**1. APPROVAL OF MINUTES: October 8, 2015 BOF Meeting**

**M/S/C: Griggs/Salas, to approve the Regular Meeting Minutes of October 8, 2015, with the following amendments:**

page 3, Item 6, 2nd paragraph, 2<sup>nd</sup> sentence:

A question was raised regarding the ratio of students vs. teachers per grade, most notably the ratio of the Kindergarten teachers (~~3~~ 2) and Grade 1 teachers (~~2~~ 3), both of which have 39 students.

**Discussion: None. Voice vote, 5-0, all in favor.**

**2. TREASURER'S REPORTS (See File Copy)**

- A. REVENUE SUMMARY**
- B. TRIAL BALANCE**
- C. FUND BALANCE**
- D. OTHER**

Treasurer Pam Henry and Cheryl Miller, CPA, were commended for the positive Audit Report.

The *Revenue Receipts, Budget v. Actual, Balance Sheet, and Capital Non-Recurring Fund* were reviewed, with no unusual occurrences. The Audit entries will be made once the Report is official. In response to Board Member Householder, the Motor Vehicle Supplement is received in October. As such, only 4.3% has been received. Due to the hiring of additional help during the summer, Line Item 105 Assistant Tax Collector under 5-105 Salaries, is at 49.4% of the Budget and will be adjusted accordingly. Likewise, Line Item 107 Assistant Assessor, who has been working additional hours, will be adjusted accordingly. Being only two months into the school year, concern was also raised regarding Line Item 001-1201.200.3000.050.562.010 Outdis SPED Tuition Special Education of the BOE's Monthly Expenditure Report, which is approximately \$316,000.00 over budget with approximately \$212,000.00 spent YTD. CPA Miller stated that the Encumbered amount may indicate their anticipated costs due knowledge they may have of a child(ren) moving into the Town, thereby ensuring that sufficient funds are appropriated to accommodate that child(ren). With regards to line item 5-126 Town Counsel, which is at 51.2% and was questioned in October's meeting, First Selectman Lyden stated that the amount is due to legal fees were paid by the Town for the ownership of foreclosed lot.

The Board expressed their appreciation to Treasurer Henry and CPA Miller.

**3. PUBLIC COMMENTS: none**

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**4. SELECTMAN'S REPORT:**

First Selectman Lyden reported on the recently received Housing Data Profiles, which includes a 10-year projection indicating a shifting of demographics in the Town of Salem. The population is not projected to decline, but the Profile estimates a 28% drop in the student population and an 82% increase in the senior (65+) population. While the report is not of dire concern, he felt that the Board should acknowledge and keep these projections in mind and begin planning for the population shift in the Town's future budgets. Likewise, he is also working with the school system, recommending that they, too, think "outside the box" and consider hiring a part-time Vice Principal or a Vice Principal/Teacher to create a more fiscally responsible budget.

Chairman Butcher thanked First Selectman Lyden for his report and congratulated him on his re-election.

**5. CAPITAL PLAN DISCUSSION**

**Library** – Salem Free Public Library Director Rachel Gaither is requesting the following item, estimated to cost \$16,000.00:

2016-17 Interior Library Upgrade, Carpet

**Public Works** – Public Works Director Don Bourdeau is requesting the following items, totaling \$1,608,000.00:

2016-17 11' Snow Plow, Tractor, Pick-up with Tailgate Lift F-250 3WD,  
Zero Turn Mower, and Large Snow Plow/Truck

2018-19 Large Snow Plow/Truck

2019-20 Commercial Mower, Field Groomer, Pick-up Truck

2021-22 Large Snow Plow Truck

2022-23 Over the Rail Mower, Front End Rotor, Small Snow Plow Truck

2023-24 Back Hoe

2024-25 Excavator

2025-26 Large Snow Plow Truck

All new vehicles will be ordered with undercoating and, in conjunction with the ability to store the vehicles at the Zemko property, he hopes to extend the life span of the vehicles. A 5% to 10% price increase was included in some of the estimates to accommodate for any price increases that may occur over time. First Selectman Lyden added that DEEP/EPA Grants are also available and, if received/approved, would aid in the funding of some of these vehicles.

Regarding the usability of the Form, Public Works Director Bourdeau stated that he agrees with the Board in terms of planning for expected/predictable expenses, but questioned the reasoning behind requesting two estimates. The price estimates he

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retrieved are based on State bids and an estimate for a possible purchase of an item up to ten years in advance is, oftentimes, difficult for a vendor to provide. In addition, while he added 5% to 10% to some of the estimates, he noted the importance of taking into consideration the possibility of significant price increases for certain items included in the Capital Plan. Board Member Griggs suggested the inclusion of a check box for State Bid items on the form.

He also suggested that the Board provide a total budget amount to all of the departments, who can, then, meet and work together and agree upon their Capital purchases within that amount, thus aiding the process and freeing the Board from having to make all of the decisions. The Board agreed and is hoping to begin such a process by encouraging the various departments to think about and plan for their Capital needs.

The Board thanked Public Works Director Bourdeau for his presentation.

**Recreation** – Representing the Recreation Commission, Board Member Kennedy requested the following items, totaling \$173,000.00:

- 2016-17 Volunteer Park Septic System
- 2017-18 Volunteer Park Concession Stand & Toilets

The Septic System, which will support the future concession stands and toilet facilities, will be Phase II of a three Phase program that was included in their 10-year Capital Plan. Based upon the current expenses at the Lou Ulffers Sports Complex, they estimated the annual cost of expenses to be \$800.00 to \$1,200.00/year for, primarily, electricity. Those who work the concession stand will also be charged with cleaning the stand and toilets. Admittedly, there have been vandalism issues at the Sports Complex and plans are being made for the installation of lighting, but it is felt that such incidents are unavoidable. While Phase I was approved by the Board, Board Member Householder, concerned with the cost and possibility of vandalism, felt that those funds might be otherwise/better allocated to serve the other needs of the Town.

Board Member Kennedy stated that an estimated 48 games/season are played on the field during the Spring and Fall, excluding practices, and there are approximately 25 players/team. Along with parents, siblings, and, sometimes, grandparents, other relatives, friends, and visitors in attendance, the players must pack their own meals. Currently, the toilet facilities consist of one (1) port-a-potty. To date, all of the work conducted on the field has been donated, including the topsoil (donated by the Soccer Club, \$12,000.00), Storage Shed (Soccer Club, \$5,000.00), A2 Survey (Salem Resident, \$15,000.00), Parking Lot Fencing (Lions Club), and Chain Link Fence along the road (Town of Salem), in addition to the initial \$17,000.00 spent by the Soccer League to make the fields playable. The Park includes two fields with an estimated value of \$200,000.00 and \$400,000.00, respectively. Two new comparable fields would cost the

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Town approximately \$400,000.00 - \$800,000.00, excluding the purchase of the land. The fields are currently being maintained by the Town's Public Works Department. Investing these funds to help improve the Park would be a true asset for the Town and, most especially, for those who are/will be utilizing the fields. He has received positive feedback from the Town and its visitors regarding the field and the proposed improvements may help attract families to move into Salem, noting the growing popularity of organized sports. Though concerns regarding the increased mill rate and vandalism are valid, the improvements would, undoubtedly, enhance the value of the Town and build a sense of community.

Salem and Gardner Lake Volunteer Fire Companies Chiefs Rick Martin and Jim Savalle requested an electronic version of the form as well as moving the requesting year to the top of the form for organizational purposes. In addition, the assignment of a new liaison was requested to replace Board Member Kennedy who will soon be serving on the Town's Board of Selectmen. In response to Chief Savalle regarding the process, Chairman Butcher recommended the various departments continue to present their Capital Plan to the Board of Selectmen for their input. He reiterated that the Capital Plan discussions are to help the Board properly plan for the future. First Selectman Lyden agreed that the process clarifies the Town's Ten-Year Capital Plan and will help the Board prepare for both expected and unexpected costs.

**6. CHANGES TO THE BOARD OF FINANCE**

On Tuesday, November 17, the members of the Board of Finance will become official. Due to his recent election to the Board of Selectmen, Board Member Kennedy will no longer be serving on the Board and a new liaison to the Fire Companies will be assigned. Board Member Eckart, who has served on the Board for several years, will no longer be serving on the Board. Board Member Salas will become a full-member of the Board and two new alternates will be added. Board Member Householder regretted Board Member Eckart's absence at tonight's meeting, adding that she has done a great job. Armed with good common sense, she was always a voice he listened to and appreciated her service on the Board. He hopes that the new Alternates will attend and participate in most, if not all, of their meetings as they, too, undoubtedly, will bring a wealth of knowledge to the Board. Board Member Salas agreed, adding that, based upon their experience and qualifications, they will have much to contribute to their discussions.

The Board will be appointing one of the Alternates as a Full Member of the Board to fulfill the vacancy created by Board Member Kennedy (R) and an Alternate will be appointed to fulfill the vacancy created by that appointed Alternate. In addition, the Board will be appointing a replacement for Alternate Board Member John Dolan (D) in the near future. The positions will be filled by an individual from the same Party he/she will be replacing. The Town Clerk will be contacted for information regarding the required party make-up of

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the Board and the Town Committees will be contacted for their input regarding the Alternate position. A new Chair will also be elected at the next meeting.

**7. SALEM FIRE TRAINING BUILDING SUB-COMMITTEE REPORT** (Board Member Kennedy)

The Board reviewed the Salem Fire Training Building Sub-Committee Report generated from an informational meeting held on October 25 regarding the fire training facility. Items discussed at the meeting included: the re-vamping of the facade of the building to look like an old Fire Station, the live fire training area to be located at the back of the building, and the type of design – steel or block with thermal lining. The NFPA (National Fire Protection Association) 1402 Guidelines were also reviewed. Recommendations in the Guidelines include:

- conducting an environmental review to determine any effects the training center might have on the local environment,
- determining the prevailing wind direction and force from the training building
- ensuring that the smoke generated from the training building does not interfere with the surrounding area or buildings,
- ensuring that residue from the extinguishing agents and products of combustion are at considerable distances from the training site

Board Member Kennedy noted that the Community Garden and Salem School located within the vicinity of the proposed training building. Board Member Householder, who attended the meeting, expressed his dismay at what appeared to be two differing opinions on the location of the burn site. While Salem Volunteer Fire Company would like to utilize the building as a training facility, Gardner Lake Volunteer Fire Company would like to continue training in Colchester and stated that, though they would consider utilizing the building for other training, e.g., search and rescue, they would not train for live fires at the proposed location. He cited the recent Public Safety Services Study stated the importance of a joint fire fighting facility where both of the Fire Companies train together in preparation of a live event. Gardner Lake Fire Company Deputy Chief/Chief Training Officer Steve Joseph stated that he has been encouraging the two Fire Companies to train together and clarified his statement at the meeting, noting that, while he agreed that the training facility has a lot of uses, he did not agree with the usage of the building as a burn facility. He confirmed that the two Fire Companies are not in agreement as to the location of the live burn sessions and the Gardner Lake Fire Company currently conducts live burn training sessions in Colchester, where instructors are provided in a certified facility. Chairman Butcher stated that the Board, in accordance to the Fire Safety Study, is seeking to support the Fire Companies as a single entity and would like the Fire Companies to present a proposal with a united front. While they may disagree with the location of the training center, Gardner Lake Fire Chief



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Savalle stated that the two Fire Companies currently train and work together and have been conducting EMS training together for the past 22 years.

Salem Volunteer Fire Company Chief Rick Martin commented on his dismay regarding the report and the lack of communication between the Fire Companies and their Liaison. He added that they met with the Engineer, as suggested at the October 25 meeting, and a report, which he will provide to the Board, was generated. Both the Chiefs and the Liaison agreed to work together to resolve their issues and Chairman Butcher requested notification of any issues they may have with the Liaison in the future.

Discussion ensued regarding the \$30,000.00 that was approved for the 2015-16 Budget for the exterior of the building. Based on the recommendations of the Board of Finance, the funds will be used to adapt the building for training purposes. First Selectman Lyden added that the Fire Companies would be providing the labor for these projects, saving the Town significant funds. Board Member Griggs agreed that she is not in favor of spending the funds in the cosmetics of the building, but is in favor of investing funds to ensure a good and safe training facility. First Selectman Lyden stated that he has not yet been approached for the proposed usage of any of the building(s) located on the Zemko property and any final decisions would be made by the residents. One of the two front homes was recently painted by the prisoners and the surrounding area is being maintained by the Public Works Department. The Board looks forward to receiving and reviewing the PE's (Professional Engineer) report.

**ADJOURNMENT:**

**M/S/C - Householder/Griggs, to adjourn the meeting at 9:49 p.m. Discussion: None. Voice vote, 5-0, all in favor. Meeting Adjourned.**

Respectfully Submitted by:

Agnes Miyuki, Recording Secretary for the Town of Salem